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ABSTRACT

This report describes the fiscal effects of the Chapter 2, Education Consolidation and Improvement Act (ECIA) block grant on the country's largest districts and cities. Although several distinct characteristics are examined, special attention is focused on the differential funding patterns under the block grant in the largest districts that previously received Emergency School Aid Act (ESAA) grants and those that did not. Key findings of this investigation are highlighted in the first section. The second section explains the rationale, objectives, and methodology of the analysis; the objectives were to collect data on allocations to the selected districts under antecedent programs and under the block grant, and to compile information on relevant demographic, fiscal, and programmatic features of the sample districts. The third section presents a detailed explication of cross-time funding patterns under the block grant and its antecedent programs in the country's largest districts and cities. Appendixes provide explanations of district characteristics examined and a discussion of the disparities in funding data for the antecedent programs reported in different data sources. (Author/TE)

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FISCAL EFFECTS OF THE CHAPTER 2, ECIA BLOCK GRANT ON THE LARGEST DISTRICTS AND CITIES

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EDUCATION ANALYSIS CENTER FOR STATE AND LOCAL GRANTS

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FISCAL IMPACTS OF THE CHAPTER 2, ECIA BLOCK GRANT ON THE LARGEST DISTRICTS AND CITIES

The purpose of this report is to describe the fiscal effects of the Chapter 2, Education Consolidation and Improvement Act [ECIA] Block Grant on the country's largest districts and cities. Although several district characteristics are examined, special attention is focused on the differential funding patterns under the Block Grant in the largest districts that previously received Emergency School Aid Act [ESAA] grants and those that did not.

Key findings of this investigation are highlighted in the first section of this report. The second section explains the rationale, objectives and methodology of this analysis. The third section presents a detailed explication of cross-time funding patterns under the Block Grant and its antecedent programs in the country's largest districts and cities. Appendices contain explanations of district characteristics examined and a discussion of the disparities in funding data for the antecedent programs reported in different data sources.

HIGHLIGHTS

This analysis compares funding patterns under Chapter 2, ECIA to funding levels under the consolidated programs in the 2 years preceeding the Block Grant for 28 of the nation's largest districts.

- Although 28 funded programs were consolidated by Chapter 2, ECIA, 2 programs--Title IVB and ESAA-accounted for more than 60 percent of the funds allocated under these 28 programs in the year before the Block Grant (FY 1981). Nationwide, ESAA funds alone accounted for approximately 29 percent of the total FY 1981 allocation for the antecedent programs. However, in the 28 sample districts, ESAA funds constituted, on average, 65 percent of the antecedent program funding level.

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- Among the 28 sample districts, 12 received more funds under the Block Grant in its first year of implementation than they had under the antecedent programs the year preceeding the Block Grant; 16 districts received less. Overall the 28 sample districts received a 30 percent reduction of funds in the first year of the Block Grant compared to what they received the previous year under the antecedent programs.

- The sample districts, in aggregate, lost considerably more funds the year prior to the Block Grant's implementation (FY 1980 to FY 1981), $46.4 million, than they did under the Block Grant, (FY 1981 to FY 1982) $26.9 million.

- The over $29 million reduction in funds between FY 1981 and FY 1982 in the 16 sample districts which received less under Chapter 2 accounts for approximately 40 percent of the total reduction in appropriations under the Block Grants to states.

- Because of the magnitude of budget cuts in FY 1981, it is also useful to contrast allocations under the Block Grant with FY 1980 funding. Based on that comparison, 4 of the sample received more funding under the Block Grant and 24 received less.

- Due to the large size of many ESAA grants, the sample districts that had received large ESAA grants tended to lose the most Federal funding under the Block Grant. Because districts operating under court-ordered desegregation plans tended to have the largest ESAA grants, sample districts operating under court-ordered desegregation plans took larger cuts under the Block Grant than districts which operated under voluntary desegregation plans or those with no desegregation plans.

- Because the largest ESAA grants tended to be targeted to city districts with substantial non-white enrollments while Block Grant funds were distributed according to enrollment-based formulas: (1) county districts, in general, fared better under the Block Grant than did city districts; (2) districts with low proportions of non-white students tended to receive higher Chapter 2 allocations. On the other hand, no statistical relations were observed between funding patterns under the Block Grant and a districts'

regional location, poverty level, district tax effort, percent of district budget from Federal sources, a state's "high cost" factor in its Chapter 2 formula, or a future state fiscal capacity indicator.

- The losses under the Block Grant of many former ESAA grant recipients in the sample districts were partially ameliorated by state discretionary grants funded out of the state's Block Grant set-aside funds. However, former non-ESAA districts also received additional Chapter 2, ECIA resources from these state-operated discretionary grants.

- The amount of funds received under the Chapter 2-funded, state-operated discretionary grants varied widely among the sample districts. For instance, 5 districts in the sample increased their Chapter 2 allocation by more than 20 percent as a result of state decisions on the allocations of discretionary funds; 10 districts, however, received less than a 2 percent increment from the discretionary grants, including 5 which received no additional funding at all.

- Council of Great City Schools reports overstate the losses of their largest member districts due to their underestimates of actual funding levels under Chapter 2.

BACKGROUND

While the Chapter 2, ECIA Block Grant accounts for a relatively modest proportion of the U.S. Department of Education's [ED] FY 1982 budget for elementary/secondary education programs (less than 8 percent), considerable attention has been focused on its first year of implementation. One of the most frequently raised issues pertaining to the new Block Grant has been its effects on large, urban school districts.

Even before the final FY 1982 appropriation had been established for the Block Grant in July 1982, the Council of Great City Schools [CGCS] claimed that urban schools would lose more than 60 percent of the funds they received the year before under the consolidated antecedent programs. This CGCS report, "Analysis of the FY82 and FY83 Reagan Budget Proposals on Urban Schools" released in February 1982 indicated that estimates rather than actual Chapter 2 allocations were used as the basis for this reported 60 percent cut in funds for its member districts. Part of the motivation for the current analysis was to report actual rather than estimated fiscal effects of the Block Grant in the nation's largest cities and districts. After this analysis was initiated, CGCS released a second report, "Trends in Federal Funding to Urban Schools: A Progress Report

on the Reagan Years," which includes self-reported Block Grant amounts for its member districts. The results of the current analysis are compared to both CGCS reports in this decision memorandum (see pp. 25-28).

The American Association of School Administrators [AASA] also reported that "large urban centers [are] the big losers under the block grant program and that the "loss of ESAA funds has crippled desegregation projects" noting further that "funds are simply not available in the quantity necessary" to carry out many former desegregation activities.* An unreleased analysis of ED's Office of General Council, on the other hand, indicated that 17 of the nation's 28 largest districts and cities either received an increase or less than a one percent reduction of the state's total allocation under the Block Grant between FY 1981 and FY 1982. However, neither of these studies or any of the available Chapter 2 Block Grant analyses contained comprehensive fiscal data for the nation's largest districts.

Objectives of this Analysis

In February 1983, ED's Office of Planning, Budget, and Evaluation contracted with the Education Analysis Center for State and Local Grants to conduct a limited analysis of the funding patterns under the Education Block Grant in the country's largest districts and cities and an exploratory investigation of the administrative burden associated with this program for state and local educational agencies. The results of the preliminary investigation on administrative burden issues will be reported in a separate analysis memorandum later this spring.

To examine local funding patterns of the Education Block Grant in the largest districts and cities, the Center's staff: (1) selected a sample of the school districts to be examined in consultation with ED officials; (2) collected data on the allocations to these districts under the antecedent programs for FY 1980 and FY 1981 and allocations under the Block Grant for FY 1982; and, (3) compiled information on relevant demographic, fiscal, and programmatic features of the sample districts. Each of these analysis activities is discussed more fully below.

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*The Impacts of Chapter 2 of the Education Consolidation and Improvement Act on Local Education Agencies (Arlington, VA), March 1983, p. 19.

Sample Selection

The sample used for this analysis results from a two-part purposive selection process. Initially, the 20 districts with the largest public elementary/secondary enrollments in the country were selected. Secondly, those districts which are located in the nation's 20 largest cities were selected. These two subsets were then merged (some districts, of course, being included in both subsets) resulting in a final sample of 28 districts.

In rank order*, according to public school enrollment, the 20 largest districts are:

(1) New York City, NY
(2) Los Angeles, CA
(3) Chicago, IL
(4) Philadelphia, PA
(5) Dade County, FL
(6) Detroit, MI
(7) Hawaii
(8) Houston ,TX
(9) Prince Georges County, MD
(10) Baltimore City, MD
(11) Broward County, FL
(12) Fairfax County, VA
(13) Dallas, TX
(14) Memphis, TN
(15) San Diego, CA
(16) Hillsborough County, FL
(17) Washington, D.C.
(18) Baltimore County, MD
(19) Duval County, FL
(20) Montgomery County, MD

In addition 8 districts located in 1 of the 20 largest cities but not among the 20 largest districts included in the sample and listed in rank order** according to public school enrollment are:

(1) Boston, MA
(2) Cleveland, OH
(3) Milwaukee, WI
(4) Columbus, OH
(5) Indianapolis, IN
(6) San Antonio, TX
(7) San Francisco, CA
(8) San Jose, CA

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*Puerto Rico was excluded from this sample since the set-aside appropriations under some of the antecedent programs for Puerto Rico precluded cross-time comparisons comparable to other districts in this sample. While Phoenix, Arizona is ranked as the eleventh largest city, it was excluded because 13 separate districts operate public elementary and secondary programs in Phoenix. Rank ordering is based on enrollment data from the most recently revised (September 1980) Market Data Retrieval Tape [MDR]. Using enrollment data collected from a September 1983 survey conducted by Education Week, it was determined that while the rank ordering varied slightly using 1980 MDR versus 1983 enrollment data, the same 20 districts had the largest public school enrollments in both 1980 and 1983.

**Honolulu was ranked as the 12th largest city; however, because it operates a single school system across the state, the state of Hawaii rather than Honolulu was included in the sample.

Characteristics of the Sample Districts

This sample includes districts in 15 states and the District of Columbia--12 in the South, 3 in the Northeast, 7 in the North Central, and 6 in the West.*

These 28 districts enroll approximately 11 percent of the country's elementary and secondary public school students. The total Chapter 2 funding received by these districts, including both formula and state discretionary grants, accounts for over 14 percent of the total FY 1982 Block Grant appropriations to the 50 states, the District of Columbia, and Puerto Rico.** In comparison, they received approximately 18 percent of total appropriations for the antecedent programs in FY 1980 and FY 1981 (18.4 percent and 17.7 percent, respectively).

Twenty-four of these districts operated ESAA programs in FY 1980 or FY 1981. Fourteen of the 28 districts are members of the Council of Great City Schools (listed on page 17).

Data were collected for each of the sample districts to determine whether there were relationships between changes in funding levels (antecedent programs vs. Block Grant allocations) and certain district characteristics. These characteristics and data sources are presented in Table 1. A fuller discussion of these district characteristics is contained in Appendix A.

Sources and Limitations of Fiscal Data

The short time-limit for completing this analysis necessitated the use of existing documents and data files whenever possible. Complete fiscal data for the sample districts' federally administered antecedent program in FY 1980 and FY 1981 were obtained from the Assistance Management Procurement Service [AMPS] file. The General Education Provision Act [GEPA] data file contained allocation data for the state administered programs in FY 1980 for 16 of the sample districts. We relied on a combination of Council of Great City School data*** and a limited number of telephone interviews with state and Federal officials

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*Regional divisions are those used by the U.S. Department of Commerce Bureau of the Census, in Current Population Survey tabulations.

**Hawaii and the District of Columbia received the FY 1982 "floor amount" (.5 percent of SEA/LEA Block Grant total).

***Tables in "Analysis of the FY82 and FY83 Reagan Budget Proposals on Urban Schools" (Washington, D.C.), February 1982.

TABLE 1

DISTRICT CHARACTERISTICS EXAMINED AND DATA SOURCES

DISTRICT CHARACTERISTIC	DATA SOURCE	DATE
1980-1981 enrollment	Market Data Retrieval tape	September 1981
1982-1983 enrollment	Education Week survey	September 1983
Percent non-white	Office for Civil Rights tape	1979-80
Poverty level (Orshansky index)	Market Data Retrieval tape	September 1980
Per-pupil expenditure	National Center for Education Statistics tables	1979-80
District tax effort index	Bureau of Census tables	1979-80
Percent of district budget from Federal, state, local sources	National Center for Education Statistics table	1979-80
Region	Bureau of Census tables	1979-80
Percent of State Chapter 2, ECIA set-aside	ED tables	1982-83
Chapter 2, ECIA "high-cost" student distribution formula	National Committee for Citizens in Education table	1982-83
Future state fiscal capacity indicator	School Finance Study report	1982
Desegregation plan status	Office for Civil Rights tape	1979-80
Allocations of Antecedent programs	Assistance Management Procurement System files, General Education Provision Act files, U.S. Department of Education tables, Council of Great City Schools tables, interview data	FY 1980 and FY 1981

to obtain allocation figures for the state administered programs in 12 districts for FY 1980 and the 28 districts in FY 1981. Block Grant funding levels for these districts were obtained from on-going Chapter 2 studies, officials from ED's Chapter 2 program office, and limited phone interviews with state Chapter 2 officials.

A fuller discussion of the disparities in funding data for the antecedent programs is presented in Appendix B. However, it should be noted that available figures include only funding received directly by these districts as fiscal agents of Federal grants. A school district might have received additional indirect services from the Block Grant or antecedent programs, that are not reflected in these figures. For example, even though a district might have received a limited amount of direct funds from a program such as Teacher Corps, it might also have obtained substantial indirect resources including educational interns, curriculum specialists, and materials from the affiliated university that are not reflected in its Teacher Corps allocation. Thus, there is some reason to suspect that these fiscal data systematically understate, to at least a limited degree, the resources provided by the antecedent and Block Grant programs in these districts. On the other hand, these data are likely to overstate the funds available to public school students since nonpublic school students were eligible for services and materials under several of the antecedent programs and are to receive a comparable level of services under Chapter 2, ECIA to that received by their public school counterparts.

FINDINGS

A National Perspective

The 28 districts in this sample previously received between 3 to 10 grants from the funded programs consolidated into the Education Block Grant. Table 2 lists by title of legislative authorization the 20 antecedent programs received by 1 or more of these 28 districts.

The largest program consolidated into Chapter 2 was the Title IVB of the Elementary and Secondary Education Act [ESEA] program, which in FY 1981 received an appropriation of $161 million. That program involved state administered formula grants with funds distributed to each state according to the number of school-age children. In contrast, the second largest program consolidated into Chapter 2, the Emergency School Aid Act [ESAA], was a competitive grant program to assist school districts undergoing desegregation. Funds appropriated to the ESAA program in fiscal year 1981 totaled almost $149 million.

TABLE 2

A NATIONAL OVERVIEW OF THE FY 1980 AND 1981 APPROPRIATIONS FOR PROGRAMS CONSOLIDATED INTO CHAPTER 2, ECIA BLOCK GRANT TO STATE EDUCATION AGENCIES**

LEGISLATION	PROGRAM	ADMINISTRATION (F = FEDERAL) (S = STATE)	FY 1980 FUNDING (000s)	FY 1981 FUNDING (000s)	PERCENT OF FY 1981 FUNDING
ESEA					
TITLE II					5.2
	BASIC SKILLS IMPROVEMENT	F	28,175	25,474	5.0
	LAW RELATED EDUCATION	F	998	1,000	*
TITLE III					1.7
	METRIC EDUCATION	F	1,838	1,380	*
	ARTS IN EDUCATION	F	1,238	1,120	*
	CONSUMERS EDUCATION	F	3,617	1,356	*
	BIOMEDICAL SCIENCES	F	3,000	3,000	
	INTER-CULTURAL UNDERSTANDING	F	2,000	1,982	*
	CITIES IN SCHOOLS	F	2,850	2,645	*
	PUSH FOR EXCELLENCE	F	1,000	825	*
TITLE IV					44.5
B	INST'L MATS & LIB. RESOURCES	S	170,975	161,000	31.5
C	IMPROVEMENT IN LOCAL ED. PRAC.	S	146,355	66,130	13.0
TITLE V					8.2
	STRENGTHENING SEA MGMT.	S	50,857	42,075	8.2
TITLE VI					29.1
	EMERGENCY SCHOOL AID ACT (ESAA)	F	240,885	148,684	29.1
TITLE VIII					*
	COMMUNITY SCHOOLS	F	3,132	3,107	*
TITLE IX					1.5
A	GIFTED AND TALENTED	F	6,123	5,652	1.1
E	ETHNIC HERITAGE STUDIES	F	2,994	2,250	*
HIGHER EDUCATION ACT					
TITLE V					6.1
A	TEACHER CORPS	F	29,668	21,810	4.3
B	TEACHER CENTERS	F	12,995	9,100	1.8
NAT'L SCIENCE FOUNDATION ACT					*
	PRE-COLLEGE SCIENCE TEACHER TRAINING	F	1,075	1,875	*
CAREER EDUCATION INCENTIVE ACT					
	CAREER EDUCATION	S	14,307	10,000	2.0
		TOTAL	724,082	510,466	

* = LESS THAN 1 PERCENT

** EXCLUDING FOLLOW THROUGH AND SECRETARY'S DISCRETIONARY FUND

SOURCE: U.S. Department of Education tables "Block Grant for Improving School Programs, Fiscal Year 1980" and "Block Grant for Improving School Programs, Fiscal Year 1981".

Because the funds were concentrated in a relatively small number of districts, many ESAA recipients were awarded sizeable grants. The 24 districts in this sample which operated ESAA programs received 37 percent of the total national ESAA appropriation in FY 1980, and 33 percent in FY 1981. Nationwide, ESAA funds made up about 29 percent of the total FY 1981 allocations for the antecedent programs; whereas, in these 28 districts, ESAA funds accounted, on average, for 65 percent of the antecedent program funding level. In contrast, while Title IVB, ESEA contributed to over 31 percent of the national FY 1981 antecedent funding level, the sample 28 districts drew on average, only 17 percent of their antecedent allotments from this program in FY 1981.

Nationally, the overall funding level for the antecedent program was cut by more than a third before the Block Grant, largely as a result of large cuts for ESAA (38 percent) and Title IVC, ESEA (55 percent) between FY 1980 and FY 1981. As Table 3 illustrates (Column 5) the average cut in the 28 sample districts closely tracked this overall reduction.

A Three-Year Funding History for the Largest Districts and Cities

Table 3 presents a three-year budget history for the antecedent programs and the Block Grant in each of the sample districts. Overall, these large districts had a little over half the funds under the Block Grant in FY 1982 than they had under the consolidated antecedent programs two years earlier, even though four districts in the sample actually increased their budget over this three-year period. It should be noted that the Chapter 2, ECIA funding levels cited throughout this analysis include formula amounts and any discretionary grants funded by Chapter 2, ECIA in FY 1982. The discretionary grants are discussed in more detail later in this memorandum (pp. 18-21).

While 3 sample districts (Baltimore County, Chicago, and Fairfax County) recognized substantial increases in funding (over 50 percent) during this three-year period, 14 of the districts in the sample lost more than half the funds received 2 years earlier under the antecedent programs. Two Ohio districts, Cleveland and Columbus, were hardest hit with multi-million dollar cuts, representing greater than 85 percent reductions over this three-year period.

However, a sizeable portion of these overall cuts in the sample districts occurred before the programs were consolidated. In actual dollars, the 28 districts lost, in aggregate, considerably more funds the year before the Block Grant (i.e., between FY 1980 and FY 1981) than they did the year of the Block Grant--$46.4 million vs. $26.9 million.

TABLE 3

FISCAL EFFECTS OF THE CHAPTER 2, ECIA BLOCK GRANT ON
28 LARGEST DISTRICTS AND CITIES: CROSS-TIME COMPARISONS

DISTRICTS	1 FY 1980 Funding Level for Antecedent Programs	2 FY 1981 Funding Level for Antecedent Programs	3 FY 1982 Funding Level for Chapter 2, ECIA Block Grant*	4 Amount Difference FY 1980-81	5 Percent Difference FY 1980-81	6 Amount Difference FY 1981-82	7 Percent Difference FY 1981-82	8 Amount Difference FY 1980-82	9 Percent Difference FY 1980-82
Baltimore	1,705,186	1,176,254	1,426,865	- 528,932	-31.0	+ 250,611	+21.3	- 278,321	-1.6
Baltimore Co.	550,153	627,978	839,296	+ 77,825	+14.1	+ 211,318	+33.7	+ 289,143	+52.6
Boston	3,332,080	659,003	1,401,493a	- 2,673,077	-80.2	+ 742,490	+112.7	- 1,930,587	-57.9
Broward	2,728,367	1,882,336	1,224,829	- 846,031	-31.0	- 657,507	-34.9	- 1,503,538	-55.1
Chicago	3,449,658	6,784,273	6,358,256a	+ 3,334,615	+96.6	- 426,017	- 6.3	+ 2,908,598	+84.3
Cleveland	15,499,068	4,968,874	1,234,187	- 10,530,194	-68.0	- 3,734,687	-75.2	-14,264,881	-92.0
Columbus	5,732,335	3,537,746	758,240	- 2,194,609	-38.3	- 2,779,506	-78.6	- 4,974,095	-86.8
Dade Co.	2,820,046	2,624,959	3,097,906	- 884,892	-31.4	+ 472,947	+18.0	+ 277,860	+ 9.9
Dallas	3,975,387	2,654,230	1,510,968	- 1,321,157	-33.2	- 1,143,262	-43.1	- 2,464,419	-62.0
Detroit	7,304,073	4,530,600	3,381,582	- 2,773,473	-38.0	- 1,149,018	-25.4	- 3,922,491	-53.7
Duval Co.	1,312,159	781,170	826,376	- 530,989	-40.5	+ 45,206	+ 5.8	- 485,783	-37.0
Fairfax Co.	395,056	510,019	630,952	+ 114,963	+29.1	+ 120,933	+23.7	+ 235,896	+59.7
Hawaii	4,007,518	1,859,155	2,187,360c	- 2,148,363	-53.6	+ 328,205	+17.7	- 1,820,158	-45.4
Hillsborough Co.	1,161,350	865,098	967,018	- 296,252	-25.5	+ 101,920	+11.8	- 194,332	-16.7
Houston	2,779,482	2,149,607	1,926,578	- 629,875	-22.7	- 233,029	-10.4	- 852,904	-30.7
Indianapolis	2,045,240	3,028,517	732,660	+ 983,277	+48.1	- 2,295,857	-75.8	- 1,312,580	-64.2
Los Angeles	19,817,260	10,458,362	8,077,423	- 9,358,898	-47.2	- 2,380,939	-22.8	-11,739,837	-59.2
Memphis	1,249,441	1,043,532	1,051,279b	- 205,909	-16.5	+ 7,747	+ 0.7	- 198,162	-15.9
Milwaukee	8,527,592	7,835,647	2,695,606a	- 691,945	- 8.1	- 5,140,041	-65.6	- 5,831,986	-68.4
Montgomery Co.	1,185,515	835,105	870,055	- 350,410	-29.6	+ 34,950	+ 4.2	- 315,460	-26.6
New York	21,165,781	14,525,752	11,554,866a	- 6,640,029	-31.4	- 2,970,886	-20.5	- 9,610,915	-45.4
Philadelphia	8,781,436	5,609,099	3,546,345a	- 3,172,337	-36.1	- 2,062,754	-36.8	- 5,235,091	-59.6
Prince Geo. Co.	1,399,733	571,588	1,043,399	- 828,145	-59.2	+ 471,841	+45.2	- 336,334	-25.5
San Antonio	760,272	622,759	676,220	- 137,513	-18.1	+ 53,461	+ 8.6	- 84,052	-11.1
San Diego	6,085,316	3,828,801	2,295,143	- 2,256,515	-37.1	- 1,533,658	-40.1	- 3,790,173	-62.3
San Francisco	2,340,442	1,610,144	1,051,682	- 730,298	-31.2	- 558,462	-34.7	- 1,288,760	-55.1
San Jose	495,056	390,892	142,493	- 104,164	-21.0	- 248,399	-63.5	- 352,563	-71.2
Washington, D.C.	6,445,885	4,622,630	2,187,360c	- 1,823,255	-28.3	- 2,435,270	-52.7	- 4,258,525	-66.1
TOTAL	137,040,887	90,594,100	63,696,437	- 46,446,787	-33.8%	-26,907,663	-29.7	-73,343,450	-53.5

SOURCES: FY 1980 and FY 1981 funding levels for antecedent programs for federally administered programs were obtained from the Assistance Management Procurement Service (AMPS) file; for state administered programs from General Education Provisions Act (GEPA) files (FY1980), interviews with state officials, state documents, or tables in the Council of Great City Schools, "Analysis of the FY82 and FY83 Reagan Budget Proposals on Urban Schools," February 1982. FY 1982 funding level for Chapter 2, ECIA Block Grant were obtained from interviews with state Chapter 2 officials in April 1983 unless otherwise indicated.

[a] Source: Chapter 2 Office, U.S. Department of Education.

[b] Source: Tables in NIE/PES case studies on Chapter 2 implementation.

[c] Source: U.S Department of Education Table, "Education Consolidation and Improvement Act, Chapter 2: FY 1982 Appropriation-Continuing Resolution (Final)." Hawaii and the District of Columbia are anomalies because of their status as large LEAs and as States; however, Title V programs are not included in the antecedent program totals for these two districts in order to have comparable data for each of the 28 sample districts.

*Chapter 2 amounts include both formula and discretionary grants received by these districts in FY 1982.

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In percentage terms, these 28 district lost, on average, 34 percent of the funds they received under the antecedent programs between FY 1980 and FY 1981 compared to a 30 percent cut under the Block Grant (between FY 1981 and FY 1982). In the year before the Block Grant, 5 of the districts recognized increases greater than 5 percent and 23 took cuts greater than 5 percent in their antecedent program funding levels. Under the Block Grant, 10 of the districts received greater than 5 percent funding increases and 14 lost more than 5 percent compared to what they received a year earlier under the antecedent programs.

The 3 biggest winners under the Block Grant, comparing FY 1981 and FY 1982 funding levels, were Baltimore County, Boston, and Prince Georges County; the biggest losers included Cleveland, Columbus, and Indianapolis, all with declines greater than 75 percent over a two-year period.

The $29 million loss in funds between FY 1981 and FY 1982 for the 16 "loser" districts in this sample accounts for approximately 40 percent of the total reduction in appropriation under the Block Grant to states.

Characteristics of "Winner" and Loser" Districts

Table 4 divides the sample districts into "winners" and "losers" under the Block Grant (FY 1981 to FY 1982). Within these two categories, the districts are ordered according to the magnitude (in terms of percent) of their increase or decrease under the Block Grant, and certain characteristics of the districts are indicated.

As Table 4 indicates, 12 of the largest districts and cities gained funds under the Block Grant, compared to what they had received the year before under the antecedent programs. On the other hand, 16 of the districts lost funds in the first year of the Block Grant.

Block Grant Funding Patterns in Former ESAA Districts

Districts with the largest ESAA grants generally suffered the most severe cuts under the Block Grant. The 4 largest losers, in terms of percent loss (Columbus, Indianapolis, Cleveland and Milwaukee), each previously had multi-million dollar ESAA grants; whereas, all of the winners either had no ESAA grant or relatively small sized ESAA grants (under $600,000). In fact, 10 of the 11 districts in this sample which lost more than 1 million dollars each under the Block Grant had multi-million dollar ESAA grants in the previous year.* On average, the 4

*The other district, Washington, D.C., received $573,642 in ESAA grants in FY 1981.

TABLE 4

BIGGEST WINNERS AND LOSERS AND SELECT DISTRICT CHARACTERISTICS, FY81 to FY82

District	Percent Increase or Decrease	ESAA Grant 1981	Desegregation Plan	Percent non-white
		Winners		
Boston	+112.7	63,322	Court-ordered	65
Prince Georges Co.	+45.2	4,555	Voluntary	54
Baltimore Co.	+33.7	0	None	14
Fairfax Co.	+23.7	0	None	14
Baltimore City	+21.3	0	None	79
Dade Co.	+18.0	593,580	Voluntary	68
Hawaii	+17.7	444,170	Voluntary	75
Hillsborough Co.	+11.8	511,020	Court-ordered	25
San Antonio	+ 8.6	215,985	Voluntary	89
Duval Co.	+ 5.8	314,287	Court-ordered	38
Montgomery Co.	+ 4.2	319,350	Voluntary	21
Memphis	+ 0.7	389,511	Voluntary	76
		Losers		
Columbus	- 78.6	3,171,562	Court-ordered	40
Indianapolis	- 75.8	1,985,275	Court-ordered	51
Cleveland	- 75.2	4,160,674	Court-ordered	72
Milwaukee	- 65.6	6,866,250	Court-ordered	55
San Jose	- 63.5	0	Court-ordered	36
Washington, D.C.	- 52.7	573,642	Voluntary	96
Dallas	- 43.1	1,770,012	Court-ordered	70
San Diego	- 40.1	2,989,351	Court-ordered	45
Philadelphia	- 36.8	2,909,555	Court-ordered	71
Broward Co.	- 34.9	1,405,514	Voluntary	28
San Francisco	- 34.7	882,339	Voluntary	83
Detroit	- 25.4	3,388,321	Court-ordered	88
Los Angeles	- 22.8	6,958,231	Court-ordered	76
New York	- 20.5	6,184,208	Court-ordered	74
Houston	- 10.4	1,414,730	Court-ordered	75
Chicago	- 6.3	1,813,025	Voluntary	81

districts in the sample which had not operated ESAA programs in FY 1981 received better than a 12 percent increase in funding under the Block Grant. In contrast, the 24 former ESAA districts in the sample took a 31 percent cut, on average, in the Block Grant year. The size of a district's ESAA grant in both FY 1980 and FY 1981 was strongly related to the amount of decline or increase under the Block Grant, the percent decline or increase (FY 1981 to FY 1982), and the Block Grant amount received.

Relationships Between Block Grant Funding Levels and Other District Characteristics

A district's desegregation plan status was also strongly related to the magnitude of funding loss or gain (both in terms of percent and actual dollars) in these 28 districts. That is, sample districts operating under court-ordered desegregation plans took large proportional cuts and received larger total dollar reductions under the Block Grant compared to districts which operated under voluntary desegregation plans or which had neither court-ordered nor voluntary plans. The generally larger reductions in districts operating under court-ordered desegregation plans were primarily due to the more substantial ESAA grants usually received by such districts. Only 3 districts in the sample had no formal desegregation plans and none of these received ESAA grants; 2 of the 3 increased their fundings under the Block Grant. Six of the 10 districts operating under voluntary desegregation plans were winners and operated modest-sized ESAA projects; whereas, 12 of the 15 districts operating under court-ordered desegregation plans lost funds under the Block Grant. Each of these 12 districts, except San Jose, operated ESAA programs with budgets in excess of one million dollars in FY 1981.

Because the largest ESAA grants tended to be targeted to city districts with substantial non-white enrollments while Block Grant funds are distributed according to enrollment-based formulas, the amount of Chapter 2 dollars received by the 28 sample districts was found to be related to the percent of non-white students enrolled in these districts.

No statistically significant relations were found in these large districts between funding patterns under the Block Grant and a district's regional location, poverty level, district tax effort, percent of district budget from Federal sources, consideration given to "high cost" students in states' Chapter 2 distribution formula, future state fiscal capacity indicator, or the Chapter 2 state set-aside percent.

Information uncovered about how states are using part of their Chapter 2 state set-aside to funds discretionary projects for LEAs and intermediary units is more fully discussed in this memorandum after closer attention is given to the substantial

underestimation of Chapter 2 funds to urban schools reported in the Council of Great City Schools' analysis of the Chapter 2 funding change.

Only three other district characteristics assessed were related to changes in funding patterns under the Block Grant in these 28 large districts. As expected, the amount of a districts' Block Grant was strongly related to its total enrollment. No statistical relationship was observed, however, between total enrollment and the percent or absolute decrease in funds under the Block Grant. Per pupil expenditures were inversely related to the amount of reduction or increase between FY 1981 and FY 1982 (the Block Grant year) but not to the percent reduction/increase or the size of the Block Grant award in the 28 districts. Finally, county districts (e.g., Fairfax, Dade, Hillsborough, and Montgomery) systematically fared better under the Block Grant compared to city districts. These county districts also, however, either received no or only moderate sized ESAA grants, thus confounding the observed relationship between county status and Chapter 2 funding patterns in the sample districts.

Underestimates of Chapter 2 Funding for FY 1982 Reported by the Council of Great City Schools

In February 1982 the Council of Great City Schools reported that "urban schools will be forced to exchange their present $91 million in special purpose ED monies for $36 million in general aid under the new consolidation program".* This widely cited estimate of a 60 percent decline in funding for large, urban districts was based on estimates** rather than actual Chapter 2 allocations since appropriations were set for the program five months after the release of the February 1982 CGCS report.

In February 1983, CGCS released a second report on the fiscal impacts of the Block Grant on its member districts. This report, assumingly using actual rather than estimated figures, indicated that Council of Great City School districts lost 45.5 percent of the funds received the previous year under the antecedent programs.***

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*"Analysis of the FY82 and FY83 Reagan Budget Proposals on Urban Schools".

**The CGCS report notes in the first page of Appendix A that "[e]stimates for allocations under Chapter 2 were arrived at by granting to each system dollars which were comparable to each district's share of its state's enrollment, plus a small correction for poverty."

***"Trends in Federal Funding to Urban Schools: A Progress Report on the Reagan Years".

Both the 60 percent figure and the revised 45.5 percent reported decline, however, vary significantly from the much lower 29.8 percent decline found in the 28 largest districts and cities (14 of which are CGCS members) and reported earlier in this memorandum. Some of the differences in the reported funding levels under the Block Grant results from overlapping, but non-identical samples. That is, only 14 of the CGCS member districts (listed in Table 5) are among the 28 largest districts and cities in the nation.

However, a comparison of CGCS reported Chapter 2 allocations and those used for this analysis for the 14 overlapping districts reveals that the CGCS consistently reported lower amounts in both of their reports. The initial CGCS report systematically and substantially underestimated the actual block grant allocations for each of its 14 largest member districts. As indicated in Table 5 (see column 6) CGCS underestimates of Chapter 2 funds to its largest districts averaged almost 65 percent. Milwaukee received more than three times the amount estimaed by CGCS; San Francisco and Detroit nearly twice the amount estimated.

At least three factors are related to this initial, substantial underestimation of Chapter 2 funding levels by CGCS for its largest member districts.

First, CGCS derived its initial estimates of these districts' Chapter 2 allotments at least six to seven months prior to Congress finally setting the FY 1982 appropriation for the Block Grant. Comparing fiscal data presented in the second CGCS report for its largest member districts to those estimated a year earlier, (see Table 5, column 5) reveals that by their own reports CGCS's substantially underestimated (an average 42 percent underestimation) the formula Chapter 2 allocation to these districts through its initial estimation procedures.

The second CGCS report, however, while based on more recent information regarding Chapter 2 allocations, still consistently under reports the amounts received by the 14 districts. A comparison of the CGCS reported Chapter 2 allotments to the formula amounts used in their analysis shows that the CGCS reports the same amount for three districts, higher amounts for three districts and lower amounts for the remaining eight districts. Overall the CGCS reports a total Chapter 2 allocation which is 9 percent lower than the total we determined for the 14 districts. It is likely that some of this difference is due to CGCS only reporting Chapter 2 funds used for public school students (i.e. subtracting amounts used for nonpublic students) in some of these districts.

In addition to the under reporting of the formula amounts, the CGCS reports do not account for the additional Chapter 2 funding received by districts through the sometimes sizeable discretionary grants awarded by states, usually out of their

TABLE 5

COMPARISON OF FY 1982 CHAPTER 2, ECIA FUNDING LEVELS IN CGCS ANALYSES TO MORE RECENT INFORMATION ON CHAPTER 2 FUNDING IN SELECT LARGE DISTRICTS AND CITIES

DISTRICTS	1 Estimate of Chapter 2 Funding in Feb. 1982 CGCS Report*	2 Report of Chapter 2 Funding in Feb. 1983 CGCS Report**	3 Formula Amount Reported by State Chapter 2 Officials or Other More Recent Source	4 Total Chapter 2 Awards (Formula + Discretionary)	5 Percent Difference Between Two CGCS Reports	6 Percent Difference Between CGCS 1982 Report and Total Chapter 2	7 Percent Difference Between CGCS 1983 Report and Total Chapter 2
Baltimore City, MD	$1,065,015	$1,358,878	$1,358,878[a]	1,426,865	+27.6	+34.0	+5.0
Boston, MA	577,492	1,011,068	1,401,493[b]	1,401,493	+75.1	+142.7	+38.6
Chicago, IL	3,728,305	5,500,000	6,331,719[b]	6,358,256	+47.5	+70.5	+15.6
Cleveland, OH	680,665	1,021,813	1,010,187[a]	1,234,187	+50.1	+81.3	+20.8
Dade Co. FL	1,918,688	2,160,694	2,160,694[a]	3,097,906	+12.6	+61.4	+43.4
Dallas, TX	977,440	852,197	1,094,640[a]	1,510,968	-12.8	+54.6	+77.3
Detroit, MI	1,740,730	3,418,852	3,341,582[a]	3,381,582	+96.4	+94.3	-1.1
Los Angeles, CA	4,400,760	7,991,535	8,061,917[a]	8,077,423	+81.6	+83.5	+1.1
Memphis, TN	961,670	948,066	1,051,279[c]	1,051,279	+ 1.4	+ 9.3	+10.9
Milwaukee, WI	765,320	2,697,606	2,195,606[b]	2,695,606	+252.5	+252.2	-0.1
New York, NY	8,523,280	8,470,000	10,998,152[b]	11,554,866	-0.6	+35.6	+36.4
Philadelphia, PA	1,954,110	3,427,651	3,442,204[b]	3,546,345	+75.4	+81.5	+3.5
San Francisco, CA	483,125	832,465	1,051,682[a]	1,051,682	+72.3	+117.7	+26.3
Washington, D.C.	1,698,375	2,187,360	2,187,360[d]	2,187,360	+28.8	+28.8	0
Total	29,474,975	41,878,185	45,687,393	48,575,818	+42.1	+64.8	+16.0

*Council of Great City Schools, Analysis of the FY82 and FY83 Reagan Budget Proposals on Urban Schools," February 1982.

**Council of Great City Schools, "Trends in Federal Funding to Urban Schools: A Progress Report on the Reagan Years," February 1983.

[a]Interviews with state Chapter 2 officials in April and May 1983.
[b]Figures reported by Division of Educational Support, U.S. Department of Education.
[c]Tables in NIE/PES case studies on Chapter 2 implementation.
[d]U.S. Department of Education table, "Education Consolidation and Improvement Act, Chapter 2: FY 1982 Appropriation--Continuing Resolution (final)."

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Block Grant set-aside amount. A comparison of the Chapter 2 formula allocations to the total Chapter 2 awards (formula and discretionary grants) reveals that these 14 districts received an additional $2.9 million from Chapter 2 discretionary grants, representing, on average a 6 percent increase over the formula amounts (column 3) received by these districts. It appears, however that CGCS did not include these Chapter 2 funds in their reported Chapter 2 data.

State-Operated Discretionary Programs Funded Under the Block Grant

Information was collected about Chapter 2 discretionary grants received in addition to Chapter 2 formula funds in 26 of the 28 districts during FY 1982.* As indicated in Table 6, these discretionary (alternatively called "competitive", "incentive", or "minigrants" in the various states) added substantial Chapter 2 resources for some of the largest districts and cities.

For instance, Dade County, Florida obtained an additional $937,212 from a matching grant program funded out of the Chapter 2 state set-aside for districts to teach foreign language in elementary grades. Among other qualifications, districts in Florida must submit proposals and contribute 1 to 1 matching funds. Districts may, however, use part of their Chapter 2 formula funds to make up their part of the matching funds for this particular state-designed discretionary program. Dade County's share of this $1.2 million Florida program in FY 1982 resulted in a 43 percent increase over its Chapter 2 formula amount.

Dallas and Houston, Texas, also received significant increments to their FY 1982 formula grants from 2 of the 3 discretionary grant programs operated by Texas with part of its Chapter 2 state set-aside allotment. To recoup part of the ESAA funds lost in several large districts, Texas established a $1.7 million desegregation discretionary grant program. Qualifying districts must file an application with the Texas Education Agency which demonstrates how proposed activities relate to former ESAA goals. Dallas drew about $406,000 from this program, and Houston more than $327,000. These 2 districts also generated smaller amounts (Dallas, $11,730; Houston $9,750) for consortia to which they belong for teacher training grants modeled on the former Teacher Corps and Teacher Center programs.

Cleveland also benefited from a $150,000 Teacher Corps project and $74,000 model guidance program for sex equity sponsored by the Ohio Chapter 2 program. Unlike the discretionary grants

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*Two of the districts, Hawaii and Washington, D.C. are, in effect, both an LEA and SEA, and thus, do not suballocate state set-aside funds under discretionary grant competitions.

TABLE 6

THE EFFECTS OF DISCRETIONARY PROGRAMS FUNDED OUT OF STATE CHAPTER 2, ECIA STATE SET-ASIDES ON BLOCK GRANT FUNDING LEVELS IN SELECT LARGE DISTRICTS AND CITIES

26 Districts 14 States	1 FY82 Formula Grant Award	2 FY82 Discretionary Grants Awarded From State Chapter 2 Set-aside	3 FY82 Total (Formula + Discretionary Grants Award)	4 Percent Increase From Formula
Los Angeles, CA	$8,061,917	$ 15,506	$8,077,423	.2
San Diego, CA	2,295,143	0	2,295,143	0
San Francisco, CA	1,051,682	0	1,051,682	0
San Jose, CA	139,493	3,000	142,493	2.1
Broward County, FL	1,192,229	32,600	1,224,829	2.7
Dade County, FL	2,160,694	937,212	3,097,906	43.4
Duval County, FL	826,376	0	826,376	0
Hillsborough Cty,. FL	953,018	14,000	967,018	1.5
Chicago, IL	6,331,719	26,537	6,358,256	.4
Indianapolis, IN	710,328	22,332	732,660	3.1
Boston, MA	1,401,493	0	1,401,493	0
Baltimore City, MD	1,358,878	67,987	1,426,865	5.0
Baltimore County, MD	802,606	36,690	839,296	4.6
Montgomery County, MD	813,259	56,796	870,055	7.0
Prince Georges Cty, MD	965,709	77,690	1,043,399	8.0
Detroit, MI	3,341,582	40,000	3,381,582	1.2
New York, NY	10,998,152	556,714	11,554,866	5.1
Cleveland, OH	1,010,187	224,000*	1,234,187	22.2
Columbus, OH	696,260	61,980*	758,240	8.9
Philadelphia, PA	3,422,204	124,141	3,546,345	3.6
Memphis, TN	1,051,279	0	1,051,279	0
Dallas, TX	1,094,640	416,328**	1,510,968	38.0
Houston, TX	1,589,425	337,153**	1,926,578	21.2
San Antonio, TX	623,690	52,530**	676,220	8.4
Milwaukee, WI	2,195,606	500,000	2,695,606	22.8
Fairfax County, VA	622,618	8,333**	630,952	1.3
TOTAL	55,710,187	3,611,529	59,321,716	6.5%

*FY82 Chapter 2 discretionary grant awards to LEAs and intermediary units in Ohio funded by FY81 carryover funds from antecedent programs

**Part of these funds generated by school district for consortium which may be used by any unit in consortium

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funded in the other states, Ohio generated the $1.9 million for its 4 discretionary programs from the carryover funds of the antecedent programs. Cleveland received a total of almost $62,000 from the 2 other discretionary grant programs in Ohio--a dropout prevention and a gifted and talented project.

While 5 of the 26 districts received no discretionary grant awards in FY 1982, the other 21 districts gained more than $3.6 million in addition to the funds obtained from their Chapter 2 formula grant awards.

As illustrated in Table 7, states vary widely in both the amount (Column 3) and proportion (Column 4) of the Chapter 2 state set-aside they target for discretionary grants to local districts and intermediary units.

Among the 7 states investigated, Maryland represented one extreme with approximately 70 percent ($1,112,000) of its state set-aside allocation for Chapter 2 being used to fund more than a dozen "mini-grant" programs for local and intermediary educational units. As a result, Prince Georges County, which operated 3 antecedent programs (ESAA, Title IVB, and Career Education) before the Block Grant, received 7 Chapter 2 funded mini-grants in addition to its formula Block Grant allotment in FY 1982. Baltimore County, Baltimore City, and Montgomery County each received 6 mini-grant awards, totaling between $37,000 and $68,000.

On the other extreme among the 7 states examined, Indiana used less than 17 percent of its Chapter 2 state set-aside ($350,000) for a handful of "incentive grants" for Teacher Center, desegregation, instructional technology, and gifted and talented activities.

In general the discretionary grants represent the states' attempts to utilize some of the flexible Chapter 2 resources targeted to the state level to encourage at the local level continued attention of select categorical objectives embedded in one or more of the antecedent programs. In addition, the funds from these discretionary grants have ameliorated the losses in some large, city districts resulting from the more distributive nature of the enrollment-driven formula Chapter 2 awards.

TABLE 7

PERCENTAGE OF STATE CHAPTER 2, ECIA SET-ASIDE FUNDS FOR DISCRETIONARY GRANTS TO DISTRICTS AND/OR INTERMEDIARY UNITS

7 States	1 FY82 Chapter 2 Block Grant Allotment[a]	2 FY82 Chapter 2 State Set-Aside: Amount of Allotment Reserved for State Use ($)[a]	3 FY82 Amount of State Set-Aside for Discretionary Grants to LEAs and/or Intermediary Units[b]	4 FY82 Percent of State Set-Aside Used for Discretionary Grants	5 FY82 Percent of Total State Chapter 2 Block Grant for Discretionary Grants
California	$41,291,513	$8,051,845 (19.5%)	$1,480,000[c]	18.3	3.6
Florida	15,923,153	3,183,031 (20%)	1,044,958	32.8	6.6
Indiana	10,864,740	2,116,406 (20%)	350,000	16.5	3.2
Maryland	7,896,681	1,579,334 (20%)	1,112,000[d]	70.0	14.1
Ohio	20,354,593	4,070,918 (20%)	1,861,000[f]	45.7	9.1
Texas	27,672,974	5,534,595 (20%)	2,900,000[d]	52.4	10.5
Virginia	9,824,822	1,996,964 (20%)	350,000	17.8	3.5
TOTAL	$133,828,476	$26,533,173	$9,097,958	34.3%	6.8%

[a]Source: U.S. Department of Education table "Chapter 2 of the Education Block Grant: How States plan to Expend the Funds Reserved for Their Own Use"

[b]Source: Interviews with State Chapter 2 Coordinators

[c]Only $660 thousand (45%) of $1,480 thousand had been allocated to local or intermediary units by April 5, 1983

[d]Estimate

[f]FY82 Chapter 2 discretionary grant awards to LEAs and intermediary units in Ohio funded by FY81 carryover funds from antecedent programs.

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POLICY IMPLICATIONS

Even though districts in this sample enroll approximately 11 percent of the county's public elementary/secondary students, they account for a very small proportion of the total number of the nation's school districts. In considering the implications of overall declining resources in these 28 districts, one must also weigh the effects of increasing resources in large numbers of smaller school districts resulting from the Block Grant. Other factors such as possible administrative savings or relief from the administrative burden of the antecedent programs resulting from the Block Grant also must be considered in deriving policy implications from this analysis of funding patterns in these select districts.

Nonetheless, this analysis documents that districts operating under court-ordered desegregation plans which previously had received multi-million dollar ESAA grants tended to take the largest cuts under the first year of the Block Grant's implementation. Some states attempted to ameliorate the losses in these districts by weighting factors in their Chapter 2 formulas, discretionary grants drawn out of their state Chapter 2 set-aside, or some combination. Still, over half of the sample districts desegregating under court order lost more than one-third of the funds they had received under the antecedent programs in the previous year.

In the present context of congressional deliberations on recategorizing the consolidated ESAA program, the findings of this analysis suggest that some attention be focused on alternatives for assisting districts undergoing court-ordered desegregation which realized substantial budget reductions under Chapter 2.

The limited focus of this analysis precludes a full assessment of the advantages and disadvantages for alternative approaches to address the needs of these districts. A central issue, however, in considering such alternatives will be the relative costs and benefits of increasing Federal prescriptiveness (e.g., legislating a type of hold-harmless provision for states' distribution of Chapter 2 funds) versus increasing Federal expenditures (e.g., a temporary infusion of funds to select districts to bridge the transitional period of refocused Federal priorities). While the former has the advantage of minimizing Federal expenditures, it also is at odds with the flexibility intended by the Chapter 2 legislation. The latter is appealing on the grounds of supporting court-ordered mandates to desegregate without decreasing state and local flexibility. On the other hand, in the past, temporary infusions of Federal funds tended to evolve into more permanent and costly programs. ESAA exemplified just such a pattern.

APPENDIX A

EXPLANATION OF SELECT DISTRICT CHARACTERISTICS
USED IN THIS ANALYSIS

An explanation is provided below for those variables in the analysis for which coded numeric or character values were assigned.

Poverty Level (Orshansky Index)

These data were extracted from the Market Data Retrieval tape which contains data for 1979-80. On this tape each district is classified into one of four categories based upon the percentage of its population which is at or below the poverty level. The four categories and their associated percentile ranges are noted below.

CODE	PERCENTILE
A	0.1 - 4.9%
B	5.0 - 11.9%
C	12.0 - 24.9%
D	25.0 % and above

Chapter 2 High Cost Distribution Formula

These data were taken from the findings of the National Committee for Citizens in Education, as reported in the Education Daily of February 18, 1983. We assigned one of three codes to a district for this variable based upon the percentage of LEA Chapter 2 Block Grant funds that were distributed according to "high cost" criteria by the district's SEA. The codes and associated high cost percentage distribution are shown below.

CODE	PERCENT HIGH COST DISTRIBUTION
A	0.0 - 24.99%
B	25.0 - 49.0%
C	50.0% and above

Future State Fiscal Capacity

These data were extracted from Prospects for Financing Elementary/Secondary Education in the States, a congressionally mandated report on school finance prepared by the U.S. Department of Education and published in December 1982. This report assesses the future school funding prospects of each state and rates

them as favorable, average, or unfavorable. We used the codes A, B, and C, respectively, to represent their ratings.

CODE	FUNDING PROSPECTS
A	Favorable
B	Average
C	Unfavorable

Court Ordered Desegregation

These data were taken from a U.S. Department of Education, Office for Civil Rights [OCR] data tape containing information concerning minority enrollments and related civil rights issues for 1980. A given district was assigned a value of 1 for this variable if it was under a Federal or state court order to desegregate, or a value of 0 if it was not.

District Tax Effort Indicator

This numeric value, intended to be representative of local fiscal capacity, is a function of various demographic characteristics of a district. As is customary, we derived this value by dividing district own source revenue per capita by per capita money income. The population figures used in this formula were taken from a U.S. Census publication, State and Metropolitan Area Data Book, Part B* which was published in 1982 and was based on resident population as of April 1, 1980. The financial data were taken from another Census publication, Finance of Public School Systems, 1979-1980.**

*U.S. Department of Commerce, Bureau of Census, State and Metropolitan Area Data Book, Part B (Washington, D.C.) 1982.

**U.S. Department of Commerce, Bureau of Census, Financer of Public School Systems in 1979-80 (Washington, D.C.) November, 1981.

APPENDIX B

DISPARITIES BETWEEN DATA SOURCES FOR THE ANTECEDENT PROGRAM FUNDING LEVELS OF DISTRICTS

In the developmental stages of our data collection we relied on the Council of Great City Schools [CGCS] data for the antecedent programs funding levels in the 14 overlapping districts (see p. 16).* Subsequent initiatives enabled us to use more comprehensive sources for this information; the Assistance Management Procurements Service [AMPS] files for federally administered antecedent programs and the General Education Provisions Act [GEPA] files and interviews with state Chapter 2 officials for the state administered programs. In the interest of ascertaining the accuracy of the various information sources, CGCS date were compared with vs. AMPS/GEPA/INTERVIEW data, for each of the 14 districts.

In the CGCS report of February 1982, the funding levels for each member district was broken down by program in a series of tables at the end of the report. Nowhere in the report was there an aggregate funding amount identified as the Chapter 2 antecedent program total for a given district. In the February 1983 report, however, there is an antecedent program total given for each district.** It is evident from an examination of these antecedent program totals that the CGCS identified a different set of programs as being the antecedents to Chapter 2 than we have. Specifically, the CGCS did not include Law-related Education or Career education programs in its antecedent totals, for either FY 1980 or 1981. For FY 1980 the CGCS failed to include the Arts Education program in one district's antecedent total and, apparently as an oversight, neglected to include a Teacher Corps program in another district's antecedent total. For both years the CGCS did include an NDN program as part of the antecedent total for one district and a Special Project grant as part of another districts' total, whereas these programs were not included in our antecedent program totals for those districts.

Due to this difference in the definition of the antecedent programs of Chapter 2, we did not rely on the total antecedent amounts the CGCS reported for our comparison, but rather, calculated a separate set of totals from the CGCS reported program amounts listed in the afore-mentioned tables, including only

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* CGCS, Analysis of the Effect of the FY82 and FY83 Reagan Budget Proposals on Urban Schools, February, 1982.

**"Trends in Federal Funding to Urban Schools: A Program Report on the Reagan Years", Table 2, "Decline in Funds Due to Education Block Grant", pg. 4.

those programs which we ourselves had used to determine antecedent funding levels. The results of this comparison and some possible explanations for the discrepancies between various sources are summarized below.

The CGCS total funding level for antecedent programs was slightly lower than the one derived from the other sources for both 1980 (2.3 percent lower) and 1981 (3.5 percent lower). In 8 of the 14 overlapping districts for 1980, our data show a funding amount which is within ± 6 percent of the amount reported by CGCS. For 2 districts, however, Washington, D.C. and Cleveland the CGCS reported a significantly lower amount (Washington, D.C. -51.4 percent and Cleveland -41.9 percent). For the remaining 4 districts, the CGCS reported a significantly higher amount of antecedent program funding (Chicago +86.1 percent, Boston +16.3 percent, San Francisco +16.2 percent and Los Angeles +10.1 percent). For 1981, there are again 8 districts for which the reported amounts by CGCS and the AMPS/GEPA files are within ± 6 percent, 2 districts for which CGCS report a significantly lower amount (Washington, D.C. -10.5 percent and Baltimore City -23.9 percent) and 4 districts for which the CGCS report a significantly higher amount (Boston +60.3 percent, Philadelphia +17.4 percent, San Francisco +15.3 percent and Chicago +9.6 percent).

A comparison of data for the federally administered programs for both 1980 and 1981 shows that the CGCS reported amounts are 8.6 percent and 3.3 percent lower overall than those contained in the AMPS file. For 1980 there were 5 districts for which the two data sources were within ± 6 percent of each other, 6 districts for which CGCS report a significantly higher amount (Chicago +404.2 percent,* Boston +19.0 percent, Memphis +16.5 percent, Los Angeles +12.3 percent, San Francisco +9.6 percent, and Philadelphia +6.7 percent) and 3 districts for which CGCS report a significantly lower amount (Washington, D.C. -60.1 percent, Cleveland -51.7 percent and Baltimore -7.1 percent). For 1981 there were 8 districts for which the funding totals derived from the two sources were within ± 6 percent of each other, 4 districts for which the CGCS report a significantly higher amount (Boston +197.1 percent, Chicago +33.0 percent, Philadelphia 29.8 percent and San Francisco +21.3 percent) and 2 districts for which they report a significantly lower amount (Washington, D.C. -75.4 percent and Detroit, -7.3 percent).

A comparison of data on just the state administered programs reveals somewhat less of a disparity between sources than for the formerly federally administered programs. Overall, the CGCS reported amounts are 10.2 percent greater for 1980 and 0.7 percent greater for 1981. In 1980 there were 3 districts with

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*This large discrepancy results from a $600,000 Law-related Education grant reported by the CGCS but unlisted in the AMPS file.

exactly the same funding levels reported in the two sources and a total of 8 within +_6 percent. The CGCS reports a significantly lower amount for 2 districts in 1980 (Washington, D.C. -26.4 percent and Philadelphia -8.1 percent) and a higher amount for 4 districts (Chicago +71.4 percent, San Francisco +35.6 percent, Dallas +13.0 percent and New York +12.8 percent). For 1981 there are 6 districts for which the two sources report exactly the same funding level and 11 for which the reported amounts are within + 6 percent. The CGCS report significantly lower amounts for 2 districts (Baltimore -26.5 percent and Dallas, -10.7 percent) and significantly higher amounts for 1 district (Cleveland +22.8 percent).

The reasons underlying these noted disparities are difficult to ascertain since the CGCS report does not specify the source of its data, noting only that "the charts...list actual allocations to districts for the 1980-81 and 1981-82 school years".** These allocations amounts were most probably reported by CGCS member districts in late 1981 and early 1982. One possible explanation may be that member districts may have included carryover funds from previous years in the amount reported to CGCS, which would result in a greater amount than that reported in the AMPS or GEPA files.

Another possible explanation for the discrepancies may be due to confusion over funding for a given fiscal year as opposed to that for a school year. Though such mixups are nearly impossible to identify, in at least one case, Baltimore City, the CGCS reported amount for a program in FY 1980 was identical to the amount listed for that program in the AMPS file for FY 1981. Similar confusion regarding in which fiscal year grants were awarded may be responsible for at least part of the noted discrepancies. The one program area where disparities were most frequently found was the Emergency School Aid Act program, where a basic grant award could be supplemented by a number of different special purpose ESAA grants such as pre-implementation grants, planning grants, state agency grants, special discretionary grants and most notably, out-of-cycle grants. The award of these special purpose grants in the middle of a given school year may have contributed to the confusion regarding in which fiscal year a grant should be recorded as having been received.

Finally, Washington D.C. is one district where there were discrepancies in all areas of comparison. Our data on Washington, as for Hawaii, were extracted from U.S. Department of Education Tables "Block Grant For Improving School Programs" for both

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**Appendix A "Summary of Reagan Proposals for Education and Assumptions for Analysis", p.1.

fiscal years 1980 and 1981. The disparities between our figures and those of the CGCS for Washington, D.C. may be due to difficulties in ascertaining how much of the various awards went to Washington, D.C. as an SEA and how much actually reached the local school level.